MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

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FINAL EXAMINATION

TRIMESTER 3, 2022/2023

BAC4654 – E-AUDITING

(All Sections / Groups)

5 OCTOBER 2023
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 3 pages excluding cover page with 4 Questions only.

2. Answer all **FOUR** questions. Mark distribution for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

a) Computer Assisted Audit Techniques (CAATs) are any automated audit techniques. CAATs are important tools for the Information Systems auditors in performing audits.

i. Parallel simulation is one of the techniques used to review and verify systems control. Interpret parallel simulation AND provide one example of its application in audit.

(8 marks)

ii. Present **FOUR (4)** factors auditors need to consider before they proceed with using any CAATs tools.

(12 marks)

iii. Data file interrogation is about using audit software to review information held in computer files. It is also to use the computer's speed and reliability to help auditors in coping with the massive volumes of data. Demonstrate the difference between Master File and Transaction File.

(5 marks)

(Total: 25 marks)

QUESTION 2

a) When planning for an audit in a Computer Based Information System, auditors should consider the types of audit evidence they need to gather.

Required:

i. Assess why knowing the types of audit evidence to collect is important.

(5 marks)

ii. Illustrate the difference between observed and analysis type of audit evidence.

(5 marks)

iii. Present **ONE (1)** advantage and **ONE (1)** challenge in using analytical procedure.

(4 marks)

Continued...

b) Compliance testing and substantive testing are among the methods for auditing in the computer-based information system.

Required:

i. Elaborate the relationship between Compliance Test and Substantive Test.
(5 marks)

ii. Demonstrate what are the steps that an auditor needs to perform when an audit investigation uncovers a control failure during a compliance test.
(6 marks)

(Total: 25 Marks)

QUESTION 3

a) Audit sampling is done so that the auditor can make reasonable conclusions about the entire group based on the sample selected.

White Stallion Sdn Bhd runs a computer supplies trading and has one branch in each state of Peninsular Malaysia. In order to ensure good logistic functions, the company invested in one three-tonne lorry for each branch.

Required:

Supposed your audit team has been assigned to conduct an audit on White Stallion Sdn Bhd, how would your team go about verifying the existence of all the fleet of lorries? Produce reasons for your answers.
(15 marks)

b) Auditors should prepare working papers which includes sufficient and detailed information to provide an overall understanding of the audit. Audit working paper is divided into the permanent audit file (PAF) and the current audit file (CAF).

Required:

Discover the difference between a permanent audit file and a current audit file.
(5 marks)

c) One of the control objectives in Electronic Data Interchange (EDI) is authorization. Assess the issues if the authorization control is weak.
(5 marks)

(Total: 25 marks)

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QUESTION 4

a) Suppose Suppose you are assessing the controls in Pro Solutions Sdn Bhd, a management service firm located in Subang Jaya. The management has explained their commitment to maintaining a high level of security to ensure that the necessary control procedures take place. Based on your observation, you found out that all employees were wearing staff IDs, however, the smart locks were not working well at Level 5, so anyone without an ID could enter the client's records filing room. Even though the company utilized an integrated database for its business operations, some sensitive data appears to be saved into thumb drives and shared among employees. The organization also has a 'hot seat' arrangement, allowing an employee to work at any workstation within the building, but they must ensure the desks are kept clean and cannot leave any documents there. Due to a lack of supervision, most employees just leave all their stuff, including confidential documents on the tables that they choose to hoard. Other than that, you also found out that employees could easily access the database from a remote location.

Required:

Assess the internal control systems at Pro Solutions Sdn Bhd. Based on your observation, state the issues that should be addressed and how to improve them.

Your suggestions should include physical access controls, logical access controls, and data storage controls.

(12 Marks)

b) One of the important aspects that auditors need to look out for is completeness of recorded transactions. Discover what aspect auditors will have to look for when a customer enters their order online through the company's website.

(4 marks)

c) According to Forbes, as of 2023, 12.7% of full-time employees work from home, while 28.2% work in hybrid mode. Accounting and finance are among the industries that are rapidly following this trend.

Required:

Demonstrate the controls that a pharmaceutical company can implement to reduce the risk of computer fraud if the accounting department works remotely.

(9 Marks)

End of paper